Convertible Debt

On March 31, 1999, we completed a financing of $20,000,000 through the private placement of five-year convertible debentures and 400,000 warrants to purchase common stock. The debentures are convertible by the holders at a price of $14.50 per share (subject to further adjustment dependent on common stock trading limitations or debenture holders Conversion rights change) at any time on or after March 30, 2000. Interest on the debentures accrues at 7% annually, payable in cash, common stock (at the average trading price for the twenty trading days preceding the due date) or any combination thereof, at our option, semi-annually on September 30 and March 31 or on the date any of the principal outstanding under the notes has been converted into common stock. At our option, at any time on or after March 30, 2002, the debentures may be prepaid by conversion of the principal into common stock at the conversion price of $14.50 (subject to further adjustment dependent on common stock trading limitations or debenture holders Conversion rights change), cash or any combination thereof and payment of any accrued interest as described above, provided that the average per share market value for the twenty consecutive trading days immediately preceding the date of prepayment equals or exceeds $38.67 per share. The notes mature on March 29, 2004 and are payable in cash. The warrants grant the right to purchase one share of common stock at the exercise price of $21.75 for each $50.00 in face value of the convertible notes at any time before March 30, 2004. Approximately $2,318,000 of the $20,000,000 financing was allocated to the estimated fair value of the warrants and is included in additional paid in capital. This amount is amortized as a non-cash charge to interest expense over the life of the debentures and was $271,000, $402,000 and $383,000 for the years ended 1999, 2000 and 2001, respectively. Debt issuance costs are included in other assets and are amortized to interest expense over the life of the debentures. The debenture holders may declare the full principal amount of this note, together with all accrued interest, immediately due and payable in cash if our common stock is delisted from the American Stock Exchange or suspended from trading, without being relisted or having such suspension lifted, within 30 Trading Days.

In May 1999, we filed a registration statement for 2,096,333 shares of common stock issuable as follows: (1) 1,646,333 shares of common stock which may become issuable by reason of the conversion of the convertible debt, and accrued interest, (2) 400,000 shares which may become issuable upon the exercise of the warrants issued in the financing, and (3) 50,000 shares issued in connection with an asset purchase transaction. All shares have been reserved for issuance. In May 1999, the Securities and Exchange Commission declared this registration statement effective.

In August 2000, we issued 176,536 shares of common stock for $2,500,000 face value convertible notes, plus accrued interest. This conversion was a non-cash transaction.

Stockholders' Equity

Preferred Stock

We have authorized 1,000,000 shares of preferred stock at December 31, 2001, comprised of the following designations:

- 250,000 shares Series A convertible preferred stock;
- 50,000 shares Series B Junior participating preferred stock;
- 200 shares Series C convertible preferred stock;
- 699,800 shares authorized and unissued.

In March 1998, we completed a placement of 200 shares of Series C convertible preferred stock and warrant financing with two institutional investors at a price of $100,000 per share. Proceeds from the offering, net of placement agent fees and expenses, were approximately $19,117,000. In addition, the investors received three-year warrants to purchase an aggregate of 200,000 shares of common stock at $31.20 per share. The warrants expired in April 2001. In July 1998, the investors exercised their right to receive additional warrants to purchase 150,000 shares of common stock at $17.45 per share with an expiration date of March 26, 2001. We also issued a warrant to purchase an aggregate of 50,000 shares of common stock at $28.80 per share to the placement agent that expired March 25, 2001. The total fair value of all warrants was estimated to be approximately $2,509,000 and is included in additional paid-in capital.

In May, September and November 1998, an aggregate of $13,800,000 face amount of the Series C preferred stock was converted into common stock resulting in the issuance of approximately 1,136,000 shares of common stock. These conversions are non-cash transactions.

During March 2000, we redeemed for cash all outstanding shares of Series C convertible preferred stock for approximately $6,180,000.

In March 2002, we designated 120,000 shares as Series D convertible redeemable preferred stock prior to a private placement completed subsequent to December 31, 2001.

Common Stock

We have authorized 80,000,000 shares of common stock, of which there were 34,489,459 and 37,065,120 shares outstanding as of December 31, 2000 and 2001, respectively.

On February 14, 2000, the Securities and Exchange Commission declared effective a shelf registration for the placement of up to 3,000,000 shares of common stock with an aggregate offering price not to exceed $50,000,000. In February and March 2000, we completed private placements for 1,088,925 shares of common stock under this shelf registration yielding net proceeds of approximately $15,930,000. During May and June 2001, we sold 237,200 shares of common stock through an underwriter yielding net proceeds of $1,342,000. On October 16, 2001, we placed to a group of predominately new investors 1,670,645 shares of common stock under the shelf registration, yielding net proceeds of $6,566,000.

For 2001, we issued 165,058 shares of common stock for payment of interest on our long-term convertible debt.

On August 28, 2001, two directors and one additional investor purchased 503,876 shares of unregistered common stock yielding proceeds of $3,250,000. In addition, the investors received three-year warrants to purchase an aggregate of 62,009 shares of common stock at $8.55 per share.

Equity securities issued to consultants

In October 1999, we executed an agreement granting warrants to purchase 100,000 shares of common stock at an exercise price of $10.00 per share to a consultant. These warrants were fully vested at December 31, 1999, with an expiration of five years. We recorded approximately $411,000 of expense as of December 31, 1999 relating to the fair value of these warrants (using an option-pricing model).

During 2001, we granted to a consultant options to purchase 35,000 shares of common stock at an exercise price of $8.10 per share, which were fully vested at December 31, 2001 and to a second consultant options to purchase 6,000 shares of common stock at an exercise price of $4.65, which vest over three years. We recorded approximately $178,000 of expense as of December 31, 2001 relating to the fair value of these options (using an option-pricing model).

Subsequent Security Issuance

On March 21, 2002, we completed a private placement of 100,000 shares of Series D convertible preferred stock, with rights to acquire an additional 20,000 shares of Series D convertible preferred stock and 7,241,376 shares of common stock, with warrants to acquire 3,620,686 shares of common stock to a select group of institutional investors yielding net proceeds of approximately $15,500,000. We plan to file a registration statement on Form S-3 related to the common stock sold in the private placement and common stock issuable upon conversion of the preferred stock and upon exercise of the warrants. We will file another registration statement if at least 10,000 additional shares of Series D convertible preferred stock is

sold upon exercise of the rights sold in the private placement. This registration statement would register the resale of common stock issuable upon conversion of the preferred stock so issued.

Treasury Stock
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In December 2000, the Board of Directors authorized a common stock repurchase program for up to 500,000 additional shares. During January 2001, we repurchased 165,000 shares of common stock for an aggregate purchase price of approximately $1,368,000. The stock repurchase program may be discontinued at any time. We agreed in connection with the March 2002 private placement not to purchase shares under the repurchase program prior to March 13, 2003.

We had in treasury 85,000 shares of common stock at a cost of $804,000 and 250,000 shares of common stock at a cost of $2,172,000, at December 31, 2000 and 2001, respectively.

Stockholder Rights Plan
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In August 1995, the Board of Directors adopted a Stockholder Rights Plan and declared a dividend of one right for each outstanding share of common stock to stockholders of record on September 1, 1995. After adjusting for two one-for-four stock dividends distributed during 1997 and one one-for-four stock dividend distributed during 1998, there is approximately 0.51 of a right for each outstanding share of common stock. Each right only becomes exercisable and transferable apart from the common stock at the earlier of: (1) ten days after a person or affiliated group of persons acquires beneficial ownership of 15%, or more of outstanding common stock; or (2) ten business days following an announcement of a tender or exchange offer of 30% or more of outstanding stock. The Stockholder Rights Plan was amended on March 19, 1999 in order to comply with changes in interpretation of Delaware corporate law.

Initially, each right, upon becoming exercisable, would entitle the holder to purchase one-thousandth of a share of Series B Junior participating preferred stock at an exercise price of $85, subject to adjustment. If a person or group acquires beneficial ownership of 15% or more of the outstanding shares of common stock, then each holder of a right (other than rights held by the acquiring person or group) would have the right to receive that number of shares of common stock which equals the exercise price of the right divided by one-half of the current market price of the common stock.

The rights may be redeemed for $0.01 per right, subject to adjustment, at any time until the earlier of the expiration date of the rights or the tenth day following the date of the public announcement that a person or affiliate group has acquired beneficial ownership of 15% or more of the outstanding shares of common stock. The rights will expire on September 1, 2005.

Stock-Based Compensation
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At December 31, 2001, we had five stock-based compensation plans (collectively, Stock Option Plans), as described below. Consistent with the provisions prescribed by SFAS 123, the following are the pro forma net loss and net loss per common share (basic and diluted) for the years ended December 31, 1999, 2000 and 2001, respectively, had compensation cost for the Stock Option Plans been determined based on the fair value at the grant date for grants made in 1999, 2000 and 2001 (in thousands, except per share data):

| | 1999 | | 2000 | | 2001 | |
|---|---|---|---|---|---|---|
| | As Reported | Pro Forma | As Reported | Pro Forma | As Reported | Pro Forma |
| Net loss | $(28,350) | $(33,335) | $(28,605) | $(34,990) | $(30,094) | $(36,357) |
| Net loss per common share (basic and diluted) | $ (0.93) | $ (1.09) | $ (0.85) | $ (1.04) | $ (0.86) | $ (1.03) |

The effects on 1999, 2000 and 2001 pro forma net loss and net loss per common share (basic and diluted) of expensing the estimated fair value of stock options may not be representative of the effects on reporting pro forma results for future years.

The weighted average fair value of options granted under the Stock Option Plans was estimated using the Black-Scholes option-pricing model. The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option-pricing models require the input of highly subjective assumptions, including expected stock price volatility. Because our employee stock options have characteristics significantly different from those of traded options and changes in the subjective input assumptions may materially affect the fair value estimate, in our opinion, the existing models do not necessarily provide a reliable single measure of the fair value of employee stock options.

The assumptions used to calculate the weighted average fair value of options granted during 1999, 2000 and 2001 are as follows:

| | 1999 | 2000 | 2001 |
|---|---|---|---|
| Assumed life for options issued to employees (years) | 5.0 | 5.0 | 5.0 |
| Assumed life for options issued to directors and officers (years) | 7.0 | 7.0 | 7.0 |
| Risk-free interest rate | 5.8% | 5.9% | 5.0% |
| Volatility | 68.0% | 72.0% | 76.0% |
| Dividend yield | - | - | - |
| Weighted average fair value per common share of options granted during the year | $5.93 | $8.17 | $4.69 |

## Stock Option Plans

In March 1999, the Board of Directors adopted the 1999 Nonqualified Stock Option Plan (the "1999 Plan") providing for the issuance of up to 1,000,000 shares of common stock subject to adjustment for any dividend, stock split or other relevant changes in capitalization. The Board of Directors' primary reason for adopting the 1999 Plan was to enhance our ability to retain and motivate key qualified persons who are officers, directors, and consultants. Under the 1999 Plan, the Compensation Committee of the Board of Directors may grant non-qualified stock options to officers, directors and consultants. The Committee selects the individuals to whom options are granted and determines: (1) the number of shares of common stock covered by the option; (2) when the option becomes exercisable; (3) the duration of the option, which may not exceed ten years; and (4) the vesting period, which, for officers, will generally occur ratably over a five-year period beginning one year from the date of grant. All stock options held under this 1999 Plan fully vest upon a change in control, as defined in the plan.

In May 1995, a stock option plan was approved by shareholders providing for the issuance of up to 5,000,000 shares of common stock options to enable us to attract and retain key employees and consultants. Under the 1995 Plan, we may grant incentive and non-qualified stock options to officers, employees, consultants and advisors. The 1995 Plan, which took effect upon the expiration of the 1986 Stock Option Plan in August 1996, is administered by the compensation committee of the Board of Directors. This Committee selects the individuals to whom options are granted and determines: (1) the type of option to be granted; (2) the number of shares of common stock covered by the option; (3) when the option becomes exercisable; and (4) the duration of the option which, in the case of incentive stock options, may not exceed ten years. Vesting generally occurs ratably over a five-year period beginning one year from the date of

grant. No one person may be issued options to purchase more than 500,000 shares of common stock in any one calendar year. Stock options granted under the 1995 Plan may not be granted at an exercise price less than 100% of the fair market value of the common stock on the date of grant (or 110% of fair market value in the case of incentive stock options granted to employees holding 10% or more of voting stock). The aggregate fair market value (determined at the time of grant) of shares issuable pursuant to incentive stock options which first become exercisable in any calendar year by an employee may not exceed $100,000.

Our 1986 Stock Option Plan provided for the issuance of an aggregate of 4,882,812 shares of common stock for the granting of incentive and non-qualified stock. The 1986 Plan was also administered by a committee of the Board of Directors and had substantially the same terms and conditions as described under the 1995 Plan. In August 1996, the 1986 Plan expired and no further grants were made. All options outstanding on the expiration date remain in effect.

In 1994, a stock option plan for non-employee directors was approved by shareholders. Under the 1994 Director Plan, non-qualified stock options to purchase up to 488,281 shares of common stock may be granted to non-employee directors. The 1994 Director Plan provides that the option price per share be at fair market value and vest ratably over a five-year period beginning one year from the date of grant, with a duration not to exceed ten years.

The following table presents the combined activity of all Stock Option Plans for the years ended December 31, 1999, 2000 and 2001:

| | 1999 | | 2000 | | 2001 | |
|---|---|---|---|---|---|---|
| | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price | Shares | Weighted Average Exercise Price |
| Outstanding at beginning of period | 6,006,138 | $ 9.10 | 7,449,874 | $ 9.09 | 3,737,019 | $ 10.02 |
| Granted | 1,721,400 | 9.20 | 713,862 | 12.19 | 402,250 | 6.91 |
| Exercised | (110,262) | 6.59 | (2,520,763) | 4.82 | (149,880) | 3.53 |
| Cancelled | (167,402) | 12.38 | (1,905,954) | 14.14 | (717,563) | 7.80 |
| Outstanding at end of period | 7,449,874 | 9.09 | 3,737,019 | 10.02 | 3,271,826 | 10.26 |
| Exercisable at year end | 3,987,847 | 6.39 | 1,666,137 | 8.64 | 1,903,608 | 9.95 |
| Shares available for granting of options at end of period | 1,832,702 | | 2,950,274 | | 3,265,209 | |

The following table presents weighted average price and life information about significant option groups outstanding at December 31, 2001 for the Stock Option Plans:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| Range of Exercise Prices | Number Outstanding | Weighted Average Remaining Contractual Life (Years) | Weighted Average Exercise Price | Number Exercisable | Weighted Average Exercise Price |
| $ 2.458 - 3.738 | 80,841 | 2.0 | $ 3.50 | 80,841 | $ 3.50 |
| 3.891 - 6.042 | 424,746 | 4.3 | 4.97 | 304,743 | 5.06 |
| 6.144 - 9.19 | 1,286,514 | 6.5 | 7.62 | 736,081 | 7.70 |
| 9.344 - 14.25 | 1,080,208 | 7.2 | 11.90 | 558,394 | 11.88 |
| 14.375 - 21.28 | 217,765 | 6.5 | 17.64 | 113,250 | 17.82 |
| 24.05 - 31.00 | 181,752 | 6.3 | 25.03 | 110,299 | 25.02 |
| | 3,271,826 | 6.3 | 10.26 | 1,903,608 | 9.95 |

## 1991 Employee Stock Purchase Plan

Under the 1991 Employee Stock Purchase Plan, a total of 366,211 shares of common stock are reserved for issuance (up to 30,000 shares may be issued in any one year). The purchase plan allows eligible employees the option to purchase common stock during two six-month periods of each year at 85% of the lower of the fair market value of the shares at the time the option is granted or is exercised. The term of this plan ends December 31, 2004. During 1999, 2000 and 2001, we issued a total of 10,089, 13,336 and 14,002 shares of common stock, respectively, under this purchase plan. Remaining shares available under this purchase plan were 287,276 as of December 31, 2001.

## Employee Savings Plan

We have a 401(k) savings plan covering full-time employees who are eligible to participate upon hire. Under this savings plan, we may match employee contributions at management's discretion. Contributions made under the savings plan were approximately $80,000, $105,000 and $124,000 as of December 31, 1999, 2000 and 2001, respectively.

## Fourth Quarter Reclassification

We reclassified $968,000 and $389,000 to cost of product sales during the fourth quarters of 2000 and 2001, respectively, due to higher actual costs compared to standard costs. This adjustment had no effect on our net loss.

## Selected Quarterly Financial Data (Unaudited)

The following table summarizes the unaudited quarterly financial results for our last eight quarters (in thousands, except per share data):

| 2001 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| Revenues | $ 2,511 | $ 2,129 | $ 2,951 | $ 3,291 |
| Cost and expenses | 8,591 | 10,272 | 9,823 | 10,197 |
| Loss from operations | (6,080) | (8,143) | (6,872) | (6,906) |
| Net loss | (6,502) | (8,611) | (7,448) | (7,5[illegible]) |
| Net loss per common share - basic and diluted | (0.19) | (0.25) | (0.21) | (0.20) |

| 2000 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| Revenues | $ 1,161 | $ 6,293 | $ 1,319 | $ 1,467 |
| Cost and expenses | 7,291 | 7,997 | 7,744 | 8,538 |
| Loss from operations | (6,130) | (1,704) | (6,425) | (7,071) |
| Net loss before cumulative effect of change in accounting principle | (6,422) | (1,783) | (6,684) | (7,374) |
| Cumulative effect of adopting Staff Accounting Bulletin 101 ("SAB 101") | (6,342) | - | - | - |
| Net loss | (12,764) | (1,783) | (6,684) | (7,374) |
| Net loss per common share - basic and diluted before cumulative effect of change in accounting principle | (0.21) | (0.05) | (0.19) | (0.21) |
| Cumulative effect of adopting SAB 101 | (0.20) | - | - | - |
| Net loss per common share - basic and diluted | (0.41) | (0.05) | (0.19) | (0.21) |

During the year ended December 31, 2000, we changed our method of accounting for up front non-refundable research and development support payments in accordance with the guidance provided by SAB 101 (see "Revenue Recognition" note). The cumulative effect of adopting SAB 101 at January 1, 2000 amounted to $6,342,000 of additional loss and equivalent amount of deferred revenue; $1,057,000 of this amount was recognized as revenue in 2000 and 2001 and $5,285,000 will be recognized as revenue in future periods.

Item 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

## PART III

### Item 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

The information required by this item is contained in our Proxy Statement for the 2002 Annual Meeting of Stockholders under the captions "Information About the Board of Directors", "Information About Executive Officers " and "ELECTION OF DIRECTORS" and is incorporated herein by reference.

### Item 11. EXECUTIVE COMPENSATION

The information required by this item is contained under the caption "Information About Executive Officers" in our 2002 Proxy Statement and is incorporated herein by reference.

### Item 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

The information required by this item is contained in our 2002 Proxy Statement under the captions, "Information About Principal Stockholders" and "Information About Executive Officers" and is incorporated herein by reference.

### Item 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

The information required by this item is contained under the caption "Certain Transactions" in our 2002 Proxy Statement and is incorporated herein by reference.

PART IV

Item 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The following documents are included in this Annual Report on Form 10-K

(1) and (2). See "Index to Consolidated Financial Statements" at Item 8 to this Annual Report on Form 10-K. Other financial statement schedules have not been included because they are not applicable or the information is included in the financial statements or notes thereto.

(3). Exhibits

The exhibits filed as a part of this Annual Report on Form 10-K are listed in the Exhibit Index immediately preceding the exhibits. The Registrant has identified in the Exhibit Index each management contract and compensatory plan filed as an exhibit to this Form 10-K in response to Item 14(c) of Form 10-K.

(b) Reports on Form 8-K

A current report on Form 8-K dated October 16, 2001 was filed by the Registrant reporting that it had received an aggregate of $20.25 million from recent financing activities.

SIGNATUR6ES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

ORGANOGENESIS INC.

BY: /s/ STEVEN B. BERNITZ
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Steven B. Bernitz
President and Chief Executive Officer

Date: April 16, 2002

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| Signature | Title | Date |
|---|---|---|
| /s/ STEVEN B. BERNITZ<br>Steven B. Bernitz | President, Chief Executive Officer and Director (Principal executive officer) | April 16, 2002 |
| /s/ JOHN J. ARCARI<br>John J. Arcari | Vice President, Finance and Administration, Chief Financial Officer, and Treasurer (Principal Financial and Accounting Officer) | April 16, 2002 |
| /s/ JAMES J. APOSTOLAKIS<br>James J. Apostolakis | Director | April 16, 2002 |
| Albert Erani | Director | April , 2002 |
| /s/ BERNARD A. MARDEN<br>Bernard A. Marden | Director | April 16, 2002 |
| Glenn Nussdorf | Director | April , 2002 |
| /s/ MICHAEL L. SABOLINSKI<br>Michael L. Sabolinski | Executive Vice President, Medical and Regulatory Affairs, Chief Medical and Scientific Officer and Director | April 16, 2002 |
| /s/ ANTON E. SCHRAFL<br>Anton E. Schrafl | Director | April 16, 2002 |